FOSTER SWIFT

FOSTER SWIFT COLLINS & SMITH PC | ATTORNEYS

DOCKET FILE COPY ORIGINAL

Lansing | Farmington Hills | Grand Rapids | Detroit | Marquette | Holland

Received & Inspected

OCT 18 2013

FCC Mail Room

Ronald D. Richards Jr.
P: 517.371.8154 F: 517.367.7154
RRichards@fosterswift.com

313 S. Washington Square
Lansing, MI 48933-2193

October 17, 2013

Via Federal Express

REDACTED – FOR PUBLIC INSPECTION

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
9300 East Hampton Drive
Capitol Heights, MD 20743

Dear Ms. Dortch:

Re: FCC Form 481 – Pigeon Telephone Company
WC Docket Nos. 10-90 and 11-42 (Eligible Telecommunications Carriers)

Enclosed please find five (5) complete copies of the following for filing on behalf of Pigeon Telephone Company pursuant to the FCC's Public Notice of August 6, 2013, in this matter:

1. The completed FCC Form 481 with the certification and the required attachments that are part of Pigeon Telephone Company's completed FCC Form 481 [310721mi510; 310721mi610; 310721mi1210; and 310721mi3026 (**Confidential** version that was e-filed with USAC)];

2. Pigeon Telephone Company's financials (310721mi3026), which contain **Confidential** information and therefore are being filed as **Confidential** pursuant to paragraph 4 of the FCC's Protective Order decision, 27 FCC Rcd 14231 (Released November 16, 2012) (the FCC Protective Order);

3. Redacted versions of Pigeon Telephone Company's financials (310721mi3026), pursuant to paragraph 4 of the FCC Protective Order.

Because Pigeon Telephone Company's financials are confidential, we are also mailing two (2) **Confidential** versions of the financials (310721mi3026) to Charles Tyler as well pursuant to paragraph 4 of the FCC Protective Order.

No. of Copies rec'd 0+4
List ABCDE

If you have questions, please call me.

Sincerely,

FOSTER SWIFT COLLINS & SMITH PC

Ronald D. Richards Jr.

RDR:jlm

Enclosures

cc w/encs: Charles Tyler (2 ***Confidential*** versions of the financials (310721mi3026) only)

PIGEON TELEPHONE COMPANY
Pigeon, Michigan

Financial Statements
with Independent Auditor's Report

December 31, 2012 and 2011

McCartney & Company, P.C.
Certified Public Accountants

Okemos, Michigan

REDACTED – FOR PUBLIC INSPECTION

- CONTENTS -

REDACTED – FOR PUBLIC INSPECTION

McCartney & Company, P.C.
Certified Public Accountants
2121 University Park Drive,
Suite 150 • Okemos, Michigan 48864
Telephone (517) 347-5000
Fax (517) 347-5007

James E. McCartney, CPA
Jeffery A. Irwin, CPA
Edward B. Rebman, CPA
Susan J. Schanski, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pigeon Telephone Company
Pigeon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Pigeon Telephone Company (a Michigan corporation and a wholly-owned subsidiary of Agri-Valley Communications, Inc.), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, change in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pigeon Telephone Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McCartney & Company, P.C.

March 29, 2013

REDACTED – FOR
PUBLIC INSPECTION

Pigeon Telephone Company
Pigeon, Michigan

Balance Sheets
As of December 31, 2012 and 2011

ASSETS

	2012	2011
Current Assets		
Cash and cash equivalents	$	
Due from customers		
Accounts receivable - Interexchange carriers		
Other accounts receivable		
Accounts receivable - Affiliates		
Inventory		
Deferred federal income tax asset		
Deferred state income tax asset		
Prepaid expenses		
Total Current Assets		
Other Non-Current Assets		
Investments		
Other non-current assets		
Total Other Non-Current Assets		
Plant, Property and Equipment		
Plant in service		
Plant under construction		
Plant acquisition adjustment		
Total Plant, Property and Equipment		
Less: Accumulated depreciation		
Net Plant, Property and Equipment		
Total Assets	$	$

The accompanying notes are an integral part of these financial statements.

REDACTED – FOR PUBLIC INSPECTION

LIABILITIES AND STOCKHOLDER'S EQUITY

	2012	2011
Current Liabilities		
Accounts payable	$	$
Accounts payable - Affiliates		
Advance billings		
Other accrued liabilities		
Total Current Liabilities		
Other Non-Current Liabilities		
Long-term debt		
Deferred federal income taxes		
Deferred state income taxes		
Total Non-Current Liabilities		
Total Liabilities		
Stockholder's Equity		
Common stock, 10,000 shares authorized, $ stated value; issued and outstanding 5,015 shares		
Retained earnings		
Total Stockholder's Equity		
Total Liabilities and Stockholder's Equity	$	$

The accompanying notes are an integral part of these financial statements.

REDACTED – FOR PUBLIC INSPECTION

Pigeon Telephone Company
Pigeon, Michigan

Statements of Income
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Local service	$	$
Access and toll services		
Miscellaneous		
Bad debt expense		
Total Operating Revenues		
Operating Expenses		
Plant specific		
Network and other		
Depreciation and amortization		
Customer operations		
Corporate operations		
Total Operating Expenses		
Net Operating Revenue		
Operating Taxes		
Federal income tax expense		
State income tax expense		
Other operating taxes		
Total Operating Taxes		
Net Income from Operations		
Other Income and Expense		
Dividend and interest income		
Other income (expense), net		
Federal income taxes - Non-operating		
Net Income Before Fixed Charges		
Fixed Charges		
Interest expense		
Net Income	$	$

The accompanying notes are an integral part of these financial statements.

REDACTED – FOR PUBLIC INSPECTION

Pigeon Telephone Company
Pigeon, Michigan

Statements of Changes in Stockholder's Equity
For the Years Ended December 31, 2012 and 2011

	Common Stock	Retained Earnings	Total
Balance at January 1, 2011	$	$	$
Net Income			
Balance at December 31, 2011			
Net Income			
Balance at December 31, 2012	$	$	$

The accompanying notes are an integral part of these financial statements.

REDACTED – FOR PUBLIC INSPECTION

Pigeon Telephone Company
Pigeon, Michigan

Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Net income	$	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		
Provisions for deferred income taxes		
Increase in cash value of life insurance		
Patronage dividends allocated		
Change in operating assets and liabilities:		
Due from customers		
Other accounts receivable		
Net due from and to affiliates		
Other current assets		
Accounts payable		
Other current liabilities		
Net Cash Provided by Operating Activities		
Investing Activities		
Purchase of plant, property and equipment		
Proceeds on patronage retirements		
Purchase of investments		
Net Cash Used in Investing Activities		
Financing Activities		
Principal payments on long-term debt		
Net Cash Used in Financing Activities		
Increase (Decreased) in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning		
Cash and Cash Equivalents - Ending	$	$

The accompanying notes are an integral part of these financial statements.

REDACTED – FOR PUBLIC INSPECTION

PIGEON TELEPHONE COMPANY

Notes to Financial Statements

1. Summary of Significant Accounting Policies

ORGANIZATION AND NATURE OF OPERATIONS

Pigeon Telephone Company is a wholly-owned subsidiary of Agri-Valley Communications, Inc. (AVCI) located in Pigeon, Michigan and serves portions of Huron, Arenac, Antrim, Iosco and Otsego counties. The Company's major business activity is providing local telephone exchange service and access to the public switched telephone network.

The accounting records of the Company are maintained in accordance with the Uniform System of Accounts for Class A and B telephone companies prescribed by the Michigan Public Service Commission, which conform to accounting principles generally accepted in the United States of America.

CONCENTRATIONS

The Company grants credit to its customers, substantially all of whom are local residents or businesses. Additionally, the Company grants credit to interexchange carriers for access to the public switched telephone network. Approximately % of the Company's operating revenue is received from access revenue from interexchange carriers. The Company rarely requires collateral from either its customers or telecommunications providers. Accordingly, failure to collect on these accounts would result in a direct loss of the amounts uncollected. However, a portion of these losses would be recoverable through the settlement process described below.

The Company generally does not hold financial instruments with off-balance-sheet credit risk.

The Company's cash accounts are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000. At various times during the year, the Company's cash account balances exceeded this amount in the normal course of business. At December 31, 2012, cash account balances exceeded this limit by approximately $. Other investments are not covered by FDIC insurance.

ACCESS SERVICE REVENUE

Compensation for interstate access services is received through tariffed access charges filed by the National Exchange Carrier Association (NECA) with the Federal Communications Commission (FCC) on behalf of the member companies. These access charges are billed by the Company to the interstate interexchange carriers, and pooled with like revenues from all NECA member companies. The portion of the pooled access charge revenue received by the Company is based upon its actual cost of providing interstate access service, plus a return on the investment dedicated to providing that service. The Company recorded interstate and intrastate true-ups of prior years' estimated access settlements that had the net effect of increasing 2012 and 2011 net income before federal and state income taxes in the amount of $ and $ respectively.

Intrastate and local access revenue is based on charges billed under the Company's intrastate access tariff or interconnection agreements. These revenues are dependent upon actions of interexchange carriers over which the Company has no control. It is possible that changes could occur that would cause a significant impact on the Company's future revenues.

INVENTORY

Inventory consists of materials and supplies for additions and maintenance of the telephone plant and telephone equipment for resale. Inventory is valued at the lower of cost or market value on a first-in, first-out basis.

REDACTED – FOR
PUBLIC INSPECTION

1. Summary of Significant Accounting Policies (Continued)

ALLOWANCE FOR UNCOLLECTIBLES

The balance in due from customers is shown net of the allowance for doubtful accounts of $ and $ at December 31, 2012 and 2011, respectively. The balance in accounts receivable for interexchange carriers is shown net of the allowance for doubtful accounts of $ and $ at December 31, 2012 and 2011, respectively. For all other accounts receivable, no allowance for doubtful accounts was determined to be necessary. The Company's estimate is based on historical collection experience and a review of the current status of accounts receivable. Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, and the Company does not apply a finance charge to past due receivables.

ADVERTISING COSTS, SALES, USE, AND EXCISE TAXES

It is the policy of the Company to expense all advertising costs as incurred.

Sales, use and excise taxes collected from subscribers are presented on a net basis.

MANAGEMENT ESTIMATES

Preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates, primarily related to collectability of receivables, access revenue settlement amounts and depreciable lives of plant, property and equipment. Actual results may vary from these estimates.

STATEMENT OF CASH FLOWS

Cash and cash equivalents include cash and short-term, highly liquid investments with original maturities of three months or less. Those investments with original maturities of three to twelve months are classified as temporary cash investments.

The Company paid, on a cash basis, interest in the amount of $ and $ in 2012 and 2011, respectively. All federal and state income taxes are paid by the Company's parent corporation. Additionally, non-cash investing and financing activities consisted of purchases of plant, property and equipment increases included in accounts payable of $ and decreases included in accounts receivables from affiliates of $ for 2012, and investment increases included in accounts payable to affiliates of $ for 2011.

2. Investments

Investments consist of the following at December 31, 2012 and 2011:

	2012	2011
CoBank	$	$
Great Lakes Comnet, Inc.		
Total Investments	$	$

The investment in CoBank consists of Class A voting stock issued by the bank. The stock entitles voting rights to all directly eligible borrowers. The CoBank investments are valued at cost and are adjusted annually for the Company's share in the bank's earnings based upon patronage volume, net of equity distributions made in cash. These equity certificates are not marketable and their redemption is at the discretion of the board of directors of the bank.

REDACTED – FOR PUBLIC INSPECTION

PIGEON TELEPHONE COMPANY

Notes to Financial Statements

2. Investments (Continued)

All other investments are recorded at cost because they are not publicly traded and the market value is not readily determinable.

3. Plant, Property and Equipment

Additions to telephone plant and replacement of significant units of property are capitalized at their original cost. When telephone plant is retired, its cost is removed from the asset account and charged against the depreciation reserve, together with any related salvage and removal costs. No gains or losses are recognized in connection with routine retirements of depreciable property.

Plant in service is summarized as follows at December 31, 2012 and 2011:

	2012	2011
Land and buildings	$	$
General support		
Central office equipment		
Circuit equipment		
Cable and wire facilities		
Intangibles – software		
Total Plant in Service	$	$

Depreciation expense is calculated using the straight-line method for accounting purposes by the application of rates based on the estimated service lives of the various classes of depreciable telephone property. The composite depreciation rate was 3.7% and 4.2% for 2012 and 2011, respectively. Depreciation expense for 2012 and 2011 was $ and $ respectively.

The plant acquisition adjustment represents the unamortized balance of the excess of cost over the underlying book value of assets relating to previously acquired telephone companies. Amortization expense for this adjustment was $ in both 2012 and 2011.

Management has proposed expenditures for the expansion of plant, property and equipment totaling approximately $ during 2013.

4. Related Parties

The Company had the following related party transactions during 2012 and 2011:

	2012	2011
Due from (to) affiliate - Agri-Valley Communications, Inc. (AVCI), beginning year	$	$
Management and office costs		
Allocations of non-regulated expenses (receipts)		
Allocations of operating expenses (receipts)		
Transfer plant fiber construction to AVCI		
Cash payments (receipts)		
Allocation of state tax expense		
Allocation of federal tax expense		
Due from affiliate – AVCI, end of year	$	$

REDACTED – FOR PUBLIC INSPECTION

PIGEON TELEPHONE COMPANY

Notes to Financial Statements

4. Related Parties (Continued)

	2012	2011
Due to affiliate – Thumb Cellular LLC (TCLLC), beginning of year	$	$
Other expense paid for TCLLC		
Cash receipts		
Due to affiliate – TCLLC, end of year	$	$
Due from (to) Affiliate – Agri-Valley Services, Inc. (AVSI), beginning of year	$	$
Other expense paid for AVSI		
DSL charges due from AVSI		
Transfer of fiber plant to AVSI		
Cash receipts		
Due from (to) affiliate – AVSI, end of year	$	$

Additionally, the Company rents real estate, on a month to month basis, from related parties, 4-E Group and ENCOMM, requiring monthly payments in the amount of $ and $ respectively. The Company incurred rental expense in the amount of $ for both of the years ended December 31, 2012 and 2011. The Company also rents computer equipment, on a month to month basis, with 4-E Group, requiring monthly payments in the amount of $ per usage hour. The Company incurred expense for computer time in the amount of $ and $ for the years ended December 31, 2012 and 2011, respectively.

The Company has a month to month operating lease for the rental of a switch building to its affiliate TCLLC, requiring monthly payments in the amount of $. For both of the years ended December 31, 2012 and 2011, the Company received rental income in the amount of $, from TCLLC.

The Company had cash balances of $ and $ at December 31, 2012 and 2011, respectively, with a financial institution considered a related party.

5. Long-Term Debt

Long-term debt consists of the following at December 31, 2012 and 2011:

	2012	2011
Notes payable to CoBank:		
Variable interest rate of 2.96% and 3.05% at December 31, 2012 and 2011, respectively, maturing June 29, 2017	$	$
Total Notes Payable	$	$
Less Current Portion		
Total Long-Term Debt	$	$

REDACTED – FOR PUBLIC INSPECTION

PIGEON TELEPHONE COMPANY

Notes to Financial Statements

5. Long-Term Debt (Continued)

The notes are secured by the assets of the telephone company. Payments on the notes are due quarterly along with accrued interest thereon. Required maturities of principal for the next five years are as follows:

2013	$
2014	
2015	
2016	
2017	

The mortgage to CoBank underlying the note on the telephone company contains certain restrictions regarding maintenance of financial ratios, the payment of cash dividends and the redemption of capital stock. As of December 31, 2012, the Company had $ available for borrowing from CoBank.

6. Line of Credit

The Companv had a revolving line of credit with the Rural Telephone Finance Cooperative not to exceed $ for a term of up to 360 days, bearing interest at a variable rate. This line of credit expired on January 7, 2013. The Company is in the process of renewing the line of credit. As of December 31, 2012 and 2011, there was no balance owed on this line of credit.

7. Taxes

For income tax purposes, the Company is included in the federal consolidated and state combined tax returns with its parent, AVCI. For financial reporting purposes, income taxes are computed and recorded as if the Company filed separate income tax returns, except that: (i) in the event the Company generates a net tax loss which is utilized in AVCI's returns, the Company will be given the benefit of such loss, (ii) federal income taxes are calculated based upon the statutory tax rate in effect for AVCI and its subsidiaries on a consolidated basis, and (iii) state income taxes are calculated based upon the taxes in effect for AVCI and its subsidiaries on a combined basis.

Tax provisions charged to expense for the years ended December 31, 2012 and 2011, are summarized below.

	2012	2011
Federal Income Taxes (Benefit)		
Current – Operating	$	$
Current – Non-operating		
Deferred – Operating		
Subtotal	$	$
State Income Taxes (Benefit)		
Current – Operating	$	$
Deferred – Operating		
Subtotal	$	$
Total Income Tax Expense	$	$
Other Taxes		
Ad Valorem		
Miscellaneous		
Total Income and Other Taxes	$	$

REDACTED – FOR PUBLIC INSPECTION

7. Taxes (Continued)

The federal income tax expense, divided by the sum of such tax expense and net income, results in an effective tax rate of approximately % for 2012 and 2011. Any difference between the Company's federal effective income tax rate and the federal statutory rate is primarily a result of expenses deductible for financial reporting purposes that are not deductible for tax purposes, and adjustments to prior year tax accruals.

Deferred income taxes are accounted for using an assets and liability approach that requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities at the applicable enacted tax rates. Temporary differences giving rise to the deferred tax liabilities and assets consist primarily of the excess of depreciation for tax purposes over the amount for financial reporting purposes, and the excess of bad debt expense for financial reporting purposes over the amount for tax purposes.

The Company periodically settles amounts owed to AVCI for income taxes. For the year ended December 31, 2012 federal and state income tax liabilities were recorded as payables to AVCI in the amount of $ and $, respectively, and for the year ended December 31, 2011 federal and state income tax liabilities were recorded as payables to AVCI in the amount of $ and $, respectively.

Management believes that there is a greater than % chance (more likely than not) that the Company is entitled to the economic benefit resulting from tax positions taken in income tax returns. No interest or penalties related to uncertain tax positions has been recognized in the income statements or balance sheets for the years ended December 31, 2012 and 2011. However, tax returns for years 2009 through 2012 remain subject to possible audit.

8. Pension Plans - Profit Sharing and Employee Stock Ownership Plan

AVCI has a profit-sharing and 401(k) plan covering eligible employees of the Company who meet certain length of service requirements. The plan is administered by a Trustee through the Employees' Profit-Sharing and 401(k) Retirement Trust Agreement. Contributions to the plan are determined annually by the Board of Directors of AVCI. Contributions to the plan for the years ended December 31, 2012 and 2011 were $ and $ respectively.

In addition, AVCI has an employee stock ownership plan covering eligible employees of the Company who meet certain length of service requirements. The plan is administered by a Trustee through an Employees' Stock Ownership Plan and Trust Agreement. Contributions to the plan are determined annually by the Board of Directors of AVCI. Contributions to the plan for the years ended December 31, 2012 and 2011 were $ and $ respectively.

11. Subsequent Events

The date to which events occurring after December 31, 2012 have been evaluated for possible adjustment to the financial statements or disclosure is March 29, 2013, which is the date on which the financial statements were available to be issued.